Q&A

MATTHIAS KORTHALS
SENIOR DIRECTOR GLOBAL PROCUREMENT
HAPAG-LLOYD

In an exclusive Q&A with PTI, Matthias Korthals, Senior Director Global Procurement, Hapag-Lloyd speaks about the major challenges the shipping industry is facing in 2019, including data standardization and the 'Amazon Effect'.

HOW DO YOU SEE THE CONTEMPORARY SHIPPING MARKET? WHAT ARE THE BIG TRENDS AND CHALLENGES?

Firstly, if you look at the container shipping industry in 2014 and look at it in 2019, you can see that only 11 of the top 20 carriers are left. The consolidation of the market has helped to ease the crisis, although we would say it is not over yet, we would say there's been a major improvement in terms of profitability.

Secondly, what we are seeing is a much better balance between supply and demand. The order book is pretty much okay and around about 11% at the moment. That is generally a number that you would need to replace old ships. The growth in the industry is also good and the prediction for this year is growth of 4.5-6%. There are some threats at the moment, mainly to do with Brexit and potential trade barriers between the US and China, but in general we are quite optimistic.

WHAT DO YOU MAKE OF THE SO-CALLED 'AMAZON EFFECT'? DOES IT POSE A BIG THREAT TO THE TRADITIONAL SHIPPING INDUSTRY?

It is not necessarily a threat, it's just a question of how we work with companies like Amazon. We are a pure liner operator, so it fits quite well if they take over and generally have more control of the supply chain. They (Amazon) still rely on a partner to take care of the sea transport, and ultimately their main interest is the visibility of data because they keep a very tight time schedule and need to have reliable information. As a carrier, we can provide that.

HOW DO YOU THINK CONTAINER TERMINALS CAN BEST PREPARE THEMSELVES TO MEET THE CHALLENGES OF THE MODERN LANDSCAPE?

The one thing they need to do is the classic thing of providing enough capacity. They need to be reliable and transparent regarding when ships can berth, leave, and everything in between. In terms of new technologies, they are an integral part of this because they hold quite a big amount of the necessary data, not only for the shipping line but also for the customer - for example, when a box can be picked up after it has arrived. The terminals are also in a key position to change and improve the visibility and transparency.

IS HAPAG-LLOYD PLANNING ANY TECHNOLOGICAL COLLABORATIONS TO MEET THESE DEMANDS IN 2019?

We have an ongoing project where we collaborate closer together with selected terminal operators, which we call 'Terminal Partnering'. We do a lot of things in a combined team of Hapag-Lloyd and the terminal operator. That could involve the port and landside connections, so we basically look at everything in order to gain efficiency for both sides (shipper and terminal operator) and to improve our cost position. That will also have an effect on the end customer.

We also contact specific terminal operators to agree on a joint approach to improve the efficiency of the port, most are very open to that because it is mutually beneficial. For example, we can shorten a vessel's port stay and this is beneficial to us because we can use our time more efficiently and it works for the port because they get the berth space available earlier. We have an initial phase where we do an analysis of the whole port, such as its productivity, and compare notes with the terminal operator and then work out together where improvements can be made. This usually results in a number of measures which get implemented.

We have done a number of these projects already and they have proved to be quite successful because it is usually just a matter of improving communication. However, sometimes it is more complicated and involves a series of technical issues, yet we plan to roll this out worldwide at all our terminals- that is our game plan for 2019.

DO YOU HAVE A PARTICULAR DATE WHEN YOU WANT TO ROLL-OUT IT WORLDWIDE?

It starts now and we're just finalizing the details but in the end it will cover all our regions.

WHERE HAVE YOU IMPLEMENTED IT SO FAR?

We started in Jebel Ali, Dubai, and we have also covered Colombo, Sri Lanka, and we are now moving into Singapore, and after that we will plan the worldwide roll-out further.

AS A MAJOR LINER, WHAT MAKES YOU CHOOSE ONE PARTICULAR PORT OVER ANOTHER? WHAT ARE YOU LOOKING FOR?

There are a lot of factors involved but to begin with we look at the customer demands, especially when we're dealing with different ports. Each port has a specific hinterland area and customer demands. If that aligns with us then we look at efficiency, productivity and issues at the terminal, and costs, of course.

It is important that the port is cost effective, not only the terminal handling but everything that is related to the port or terminal. What is also important, as I mentioned before, is capacity but also their willingness to innovate on issues like cooperating closer with liners and also data visibility.

HOW DO YOU SEE THE ISSUE OF DATA VISIBILITY, WILL IT BE EASIER TO SHARE DATA IN 2019?

One crucial point is that terminal operators often look at their specific port individually and there are quite a lot of good solutions already in place, but for us as a line operator who calls at port after port, it is very important to have a standard way of communicating, so we don't have to use different solutions for different terminals. I think it will be crucial that a global standard in one shape or another works itself out and it is one of the big tasks of the future.

HOW CONFIDENT ARE YOU THAT PROGRESS WILL BE MADE THIS YEAR?

I'm pretty confident we will take a step forward in 2019, but one year will not be enough to sort out all the different approaches. We will try and move in the right direction and try to improve the situation but nothing will be finalized by December 2019.

IF YOU COULD CHANGE ANYTHING WITHIN THE MARITIME SUPPLY CHAIN, WHAT WOULD IT BE?

There are a number of things. First of all is the need to see the transport chain as one integrated process and not as a lot of transactional relations between business partners. That it is not only for shippers and terminals but also necessary for in-land intermodals, such as truckers and rail operators and depts. Ideally, it would all fit together in one fluid process, like in a factory. That is the goal but a lot of things need to change to try and reach that goal because there are a lot of different stakeholders involved.